



November 30, 1999

Manager, Corporate Communications - CK

[Bonneville Power Administration](#)

P.O. Box 12999

Portland, Oregon 97212

Re: [2002 Wholesale Power Rates, File number designation WP-02](#)

Dear Corporate Communications Manager:

The Energy Division of the Department of Community, Trade and Economic Development (CTED) is pleased to submit the following comments, as a Participant, regarding the BPA's proposed 2002 Wholesale Power Rates. Overall the Initial Proposal meets both BPA's stated objectives and the policy objectives of the State of Washington, but there are several areas where it falls short, especially in the area of public benefits.

CTED has approached these comments on BPA's rate proposal from the policy perspective of the long-term interests of Washington State and the Pacific Northwest. Thus, we favor a rate structure that ensures the long-term economic and political viability of BPA as a regional resource. To assure its viability, BPA and regional power interests must demonstrate their willingness to pay for restoration of salmon runs, distribute BPA's benefits widely, and justify BPA's existence as a public agency that provides below market power to its customers in the region. On the whole, the rate proposal meets these tests, but in many areas it would not take much deviation from the proposal for BPA to fail the tests and in other areas, BPA could do better.

1. Conservation and Renewables Discount

While the proposed Conservation and Renewables discount is better than nothing, it is not much better. The total expenditures proposed are well below what BPA could and should do. The program, as proposed, barely supports an increase from what is being done now. When viewed together with Bonneville's need to augment the system with power purchases to meet its forecasted load, the inadequacy of the Conservation and Renewables Discount, as proposed becomes manifest. The Conservation and Renewable Discount should be revised to meet a significant portion of Bonneville's obligation to both acquire its fair share of cost-effective regional conservation and to fulfill its role as public steward of the region's energy and other natural resources.

2. Conservation acquisition

Given that BPA needs to "augment" its resource base to meet the loads proposed in the rate proposal, we are pleased that BPA acknowledges that this augmentation should be handled as a resource acquisition under Sections 6. (a)(1) and 4.(3)(1) of the Pacific Northwest Power Planning and Conservation Act and is thus subject to the Act's bonuses for conservation and renewables. We are concerned that BPA may not be aggressive enough in its acquisitions of either conservation or renewables. We believe that Bonneville must do the minimum amount of the conservation and renewables acquisition that the Act mandates and we trust that Bonneville and the Northwest Power Planning Council working together will correctly determine what level. However, Bonneville is not limited by the Act and should do more if its public stewardship role dictates. We believe that it does, especially when the region's hydroelectric resources are being constrained by salmon recovery efforts and Bonneville's own rate case analysis projects Bonneville's rates as being well below market for the length of the rate period. There is considerable "head room" for Bonneville to include in its cost structure conservation investments beyond what its regional share might indicate, investments in above-market renewables in order to create a long-term renewables infrastructure and market for "green power," and continued investment in distributed generation research and development in order to prepare the region for new configurations of generation and transmission.

3. Cost Recovery Adjustment Clause (CRAC)

The CRAC as it is presented in the Initial Proposal is the absolute minimum to assure Congress and the public of the willingness of BPA and its regional customers to meet their financial responsibilities. We oppose any weakening of the proposal. There should be no change in the threshold and it should be capped at market.

4. Low Income Weatherization and the Conservation and Renewables Discount

We understand that there is some concern by Oregon and Washington Community Action Agencies and State Housing agencies that under the current proposed structure of the Conservation and Renewables Discount, funding for low-income weatherization is problematical rather than assured. We also understand that the Initial Proposal does not propose to use the existing and historical infrastructure for delivering low-income weatherization service, but rather relies on ad hoc arrangements by customer utilities and service providers. While we, thirdly, understand that although the Discount is essentially implemented through utility choices, we think there is good reason for Bonneville to re-think this administrative mechanism for low-income weatherization. Such a piece-meal approach is likely to provide disincentives for utilities to fund it. We urge Bonneville to work with the CAPs, the States and utilities to find a mechanism that ensures that a reasonable amount of low-income weatherization is accomplished.

While we have been critical of the Initial Proposal in regard to its weaknesses in meeting some of Bonneville's public interest responsibilities, we should note that, on the whole, the Proposal does an admirable job of balancing the demands of the energy interests in the region: the various customer groups, light and heavy loads, peak and base loads, rural and urban loads, full and partial requirements loads, and potential Slice customers.

We look forward to further participation with Bonneville and other energy stakeholders in the region as Bonneville moves forward with this Rate Case and with Subscription.

Sincerely,

Tony Usibelli
Acting Assistant Director
Energy Division